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Strategic capital review

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolution 65/259, section III, wherein the General Assembly endorsed the conclusions and recommendations of the Advisory Committee on Administrative and Budgetary Questions set out in its report (A/65/518) in respect of overseas property management.

The report describes progress made in the development of a long-term capital programme and prioritization strategy for the global premises of the United Nations Secretariat since the issuance of the report of the Secretary-General on overseas property management and construction projects in progress (A/65/351). This initiative is known as the strategic capital review.

The Secretary-General presents an overview of the review, including a summary of the first phase and its findings, an update on current progress on the second stage, as well as defining the next steps on developing a strategy, which will maintain effectively the facilities of the United Nations Secretariat with a long-term perspective. The report also describes a prioritization strategy which will define the requirements and sequencing for major maintenance, alterations and improvements, as well as new construction projects over a long-term horizon.

The General Assembly is requested to take note of the report.

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I. Introduction

1. In accordance with General Assembly resolution 65/259, the Secretary-General presents his report on the progress of the strategic capital review. The present report includes the preliminary findings of the review and sets out the details of a 20-year capital programme and prioritization strategy for the global premises of the United Nations Secretariat. The strategic capital review is being coordinated by the Overseas Properties Management Unit Office of Central Support Services in close coordination with the International Public Sector Accounting Standards (IPSAS) project team and the Umoja project team to ensure alignment in policies relating to real estate management.

2. In its related report (A/65/518), the Advisory Committee on Administrative and Budgetary Questions emphasized the importance of better projection of midterm and long-term Organization-wide needs, including financial requirements for the maintenance of existing facilities and new construction projects, in order to enable an adequate overview and long-term perspective. The Committee also noted that the lessons from the capital master plan clearly demonstrated the need for developing an alternative long-term funding methodology to cover the costs of facilities maintenance.

3. The goal of the strategic capital review is to accurately forecast capital requirements over a long-term horizon in order to properly maintain the facilities in accordance with industry norms and standards. The 20-year capital programme and prioritization strategy will be updated during each budget cycle for changes in the real estate portfolio of the Organization, amendments in relevant building codes and other regulatory requirements so that it remains a current, up-to-date rolling programme of activity.

4. The strategic capital review will identify capital projects for maintaining existing facilities on a prescriptive basis with cost estimates and will create a stronger link between two key mandates of the Office of Central Support Services: (a) providing technical guidance and advice for the planning and implementation of construction projects; and (b) establishing policy, guidelines and procedures for property management. Maintaining property value will become a more central objective of capital planning, and budgeting for capital improvements will therefore be more closely linked to asset management, which will be further enhanced by the implementation of Umoja.

5. By establishing a long-term capital programme, with accurately forecast future requirements, the Secretariat will create a robust foundation for capital programme planning, and the General Assembly will be better able to understand the medium- to long-term resource requirements and determine the most appropriate funding profile for Member States. For example, the General Assembly might decide that Member States should contribute advanced funding in order to accumulate a capital reserve to meet the cost of future capital projects, whether for major maintenance, alterations or improvements. This approach to funding capital expenditure has the benefit of "normalizing" resource requirement patterns for major maintenance, alterations and improvements in the long term.

II. Approach to the strategic capital review

A. Background

6. The strategic capital review aims to put in place a long-term capital programme for the United Nations Secretariat, including its premises in Addis Ababa, Bangkok, Beirut, Geneva, Nairobi, New York, Santiago and Vienna. Subregional offices at the economic and social commissions are not included in the scope of the detailed building assessment analysis undertaken as part of the review, as typically those locations are leased properties. However, requirements at those locations will be included in establishing the overall capital programme.

7. A detailed description of the premises at each location, including compound size, insurance value and year of construction, is provided in the annex to the present report. This constitutes an overview of the real estate portfolio of the United Nations Secretariat, and is summarized below.

8. At the Economic Commission for Africa (ECA) in Addis Ababa, the total area of the buildings at the United Nations compound is 109,720 m^2. There are 10 buildings, the oldest building having been constructed in 1961 and the newest building, scheduled for completion in 2014. At the Economic and Social Commission for Asia and the Pacific (ESCAP), in Bangkok, the total area of the buildings is 99,989 m^2. There are three buildings, which were constructed in 1975 and 1993. At the United Nations Office at Nairobi, the total area of the buildings is 79,218 m^2 (built area). There are nine groups of facilities; the oldest was constructed in 1975 and the newest in 2011. At the Economic and Social Commission for Latin America and the Caribbean (ECLAC), in Santiago, the total area of the buildings is 25,415 m^2. There are nine buildings, the oldest was constructed in 1966 and the newest in 2013, the compound having recently been renovated as a result of earthquake damage.

9. Approximately 45 per cent, that is, 28 of the 69 buildings occupied and managed by the United Nations, are more than 35 years old, which is more than halfway through their expected useful lives. This is the point at which building deterioration and obsolescence begin to accelerate. Consequently, these buildings require increased costly major maintenance to remain usable.

10. The useful life of a typical building and its infrastructure is illustrated in table 1 below, which sets out an analysis of components and subcomponents in relation to their useful life and percentage of value to a whole building.

Table 1
Useful life of building components for a typical office building

Component	*Subcomponent*	*Maximum useful life (years)*	*Component value as percentage of total value of asset*
Exterior	Foundation and basement	25-50	32.0
	Superstructure	25-50	
	Exterior closure	25-50	
Roofing	Roofing	20	3.0
Interior	Interior construction, staircases and finishes	20	32.0
Services	Conveying systems	25	3.0
	Plumbing	25	6.0
	HVAC	25	9.0
	Fire protection	25	2.5
	Electrical and low voltage	25	12.5

11. The historical practice for the United Nations Secretariat has been to undertake discretely approved major capital projects whether for rehabilitation work or other subsequent needs, such as expansion or updating to code compliance, for example, at ECA, the United Nations Office at Geneva, the United Nations Office at Nairobi and ECLAC.

B. Key objectives

12. The following key organizational objectives underpin the methodology for establishing a strategic capital investment plan for the Organization. They help to ensure that all United Nations properties provide healthy and safe environments for occupants and visitors over the long term. The key objectives include but are not limited to the following:

(a) To maintain the property value of United Nations premises, especially related to building life-cycle replacement;

(b) To meet industry norms related to health and safety issues, including fire and life safety planning and systems design, fire suppression, fire alarm and fire exit planning;

(c) To meet industry norms relative to facilities preparedness and design against potential natural disasters and emergency situations, such as earthquakes, tsunamis and hurricanes;

(d) To comply with the Convention on the Rights of Persons with Disabilities regarding facilities accessible to persons with disabilities;

(e) To ensure that hazardous materials are removed from facilities;

(f) To improve space usage efficiency by maximizing use of available office and conference space and minimizing sizes of building support spaces;

(g) To modernize outdated major building systems, including mechanical, electrical, low-voltage electrical, plumbing and conveying and vertical transportation, in order to meet industry norms;

(h) To move towards more energy efficient facilities, specifically by reducing energy consumption, fresh water consumption, use of non-renewable material resources and waste generation, and improving atmospheric and indoor air quality;

(i) To preserve, and, if necessary, restore heritage-specific assets;

(j) To keep disruption of the work of the United Nations to a minimum, and to otherwise ensure business and operational continuity throughout any project implementation.

13. The objectives formed the basis for establishing guidelines in order to ensure a consistent approach to collecting and reviewing information. These guidelines became the benchmark for identifying existing information on building infrastructure and policies that relate to facilities management.

C. Scope

14. The strategic capital review has been divided into three phases. Phase 1 focuses on establishing a framework for data collection. Phase 2 comprises data collection and development of local capital plans, which primarily addresses ECA, ESCAP, the United Nations Office at Nairobi and ECLAC.

15. Phase 3 comprises the development and establishment of a benchmark for the overall rolling capital plan of the Organization. During phase 3 all owned properties that are considered under the facilities management of the Secretariat will be incorporated into the overall rolling capital plan. It will include the United Nations Headquarters in New York, the International Criminal Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda, and the new facility for the International Residual Mechanism for Criminal Tribunals, currently in the planning stages in the United Republic of Tanzania.

III. Progress on implementation

A. Phase 1

16. Phase 1 of the review, which began in May 2012 and was completed in December 2012, established the framework and work methodology of the review, which included defining key organizational objectives for capital improvements and developing a method for assessing projects. Headquarters and all offices away from Headquarters were involved in phase 1. Each office location uploaded available information on an Internet data exchange platform. The Overseas Properties Management Unit reviewed all available information, including assessments of prior building and premises conditions.

17. The offices involved in phase 1 provided information related to the general description of the premises, including architectural, structural, services and utilities information, fire protection, life safety, accessibility, heritage, functionality, space

management, budget, energy and water consumption, maintenance, security and surveillance.

18. This phase included close coordination with the substantive offices involved in the implementation of IPSAS and the enterprise resource planning project, Umoja, focusing particularly on the inventory of real estate assets and the format for planning and recording capital projects. This is particularly important owing to the requirement for property values to be reported in the financial statements of the Organization, and hence for records on capital improvements to be updated continuously and accurately.

19. A detailed list of activities undertaken in phase 1 is as follows:

(a) Establishment of the framework and methodology of the strategic capital review;

(b) Confirmation of the overall scope of the project;

(c) Detailed definition of the key objectives as herein defined and established for capital improvements at United Nations facilities;

(d) Establishment of standardized methods for data collection for United Nations-owned properties, including:

(i) Establishment of a data exchange platform;

(ii) Development of a standardized framework for collecting data on a rolling basis for comparison purposes;

(iii) Production of a generic scope of work to be used to engage local consultants, inclusive of guidelines, so that comprehensive assessments of the condition of buildings and premises can be undertaken in a uniform manner at each office location;

(e) Development of a preliminary method for establishing project evaluation and assessment using common criteria based on the key organizational objectives;

(f) Examining alternative industry standard funding mechanisms to best support a long-term maintenance programme.

B. Phase 2

20. Phase 2, which is currently under way, comprises the data collection phase being conducted by offices away from Headquarters in accordance with key organizational objectives. Phase 2 involves the offices where the premises are fully owned by the United Nations: Addis Ababa, Bangkok, Nairobi and Santiago. These offices are currently conducting a conditions and operational assessment based on the guidelines provided, which includes a detailed review of physical and operational characteristics of the facilities, such as architectural, structural, services and utilities, energy efficiency, fire protection, life safety, accessibility, heritage, functionality, space utilization, budget, maintenance and security measures. The outcome of this phase will establish a benchmark based on best practice to systematically conduct assessments on a periodic basis in order to maintain accurate facilities data.

C. Phase 3

21. Phase 3, which is scheduled to commence in 2014, is the final phase of the strategic capital review. The Office of Central Support Services, in coordination with the offices away from Headquarters and the regional commissions, will provide findings and concluding recommendations, including a 20-year capital maintenance programme, a database to be used for monitoring and reporting on facilities' and project performance, and a finalized project prioritization methodology, for updating the rolling programme.

IV. Preliminary findings of phase 1

22. The findings reached at the end of phase 1 have been used to guide the next phases, with allowance for the fact that inconsistency of the data or lack of available information currently at each office remains a major challenge to fully assess the current maintenance requirements. Forecasting and reporting on the capital maintenance investment needs can be realized only upon the completion of the buildings and premises assessments, forming the core activity for phase 2, which is currently ongoing. As noted above, the data being gathered will be analysed during phase 3 and is the stage at which the existing facilities can be evaluated against each other.

23. Phase 1 has shown that if separately funded multi-year construction projects are set aside, the United Nations Secretariat currently "invests" less than 1 per cent capital relative to property value on an annual basis, as compared to industry best practice, which is 2 per cent to 3 per cent per year. In addition, a simple calculation of depreciation of value due to normal usage (without the requisite capital reinvestment) of a 50-year building is 2 per cent per year. The Office of Central Support Services considers that the current reactive approach to capital maintenance represents an underinvestment in buildings and premises and results in the progressive and rapid deterioration of the currently owned assets.

24. Although the final outcome of the strategic capital review will be the establishment of a comprehensive analysis of future capital projects and the related costs, phase 1 indicates that in order to move away from the current reactive approach to capital maintenance, the regular programme budget for maintenance alterations and improvements would need to increase in future bienniums, if industry norms are to be taken as the benchmark.

A. Sequencing of major capital expenditure projects and other construction activity

25. The Secretariat is guided by General Assembly resolutions 66/247, 67/254 and 68/247 regarding sequencing of major capital expenditure projects, wherein the Assembly reiterated that the Secretary-General must ensure that major capital expenditure projects are not implemented simultaneously in order to prevent the need to finance and supervise them at the same time.

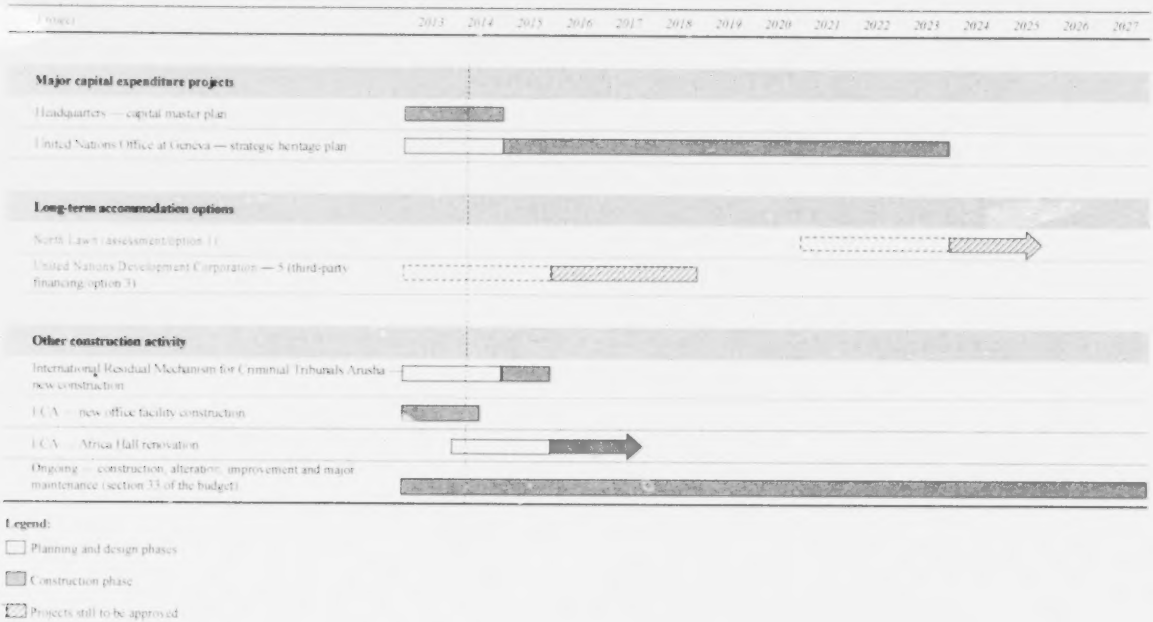
26. The capital master plan, the strategic heritage plan and the North Lawn assessment option presented within the study on the long-term accommodation needs at Headquarters are commonly considered the principal major capital

expenditure projects. However, it should be recalled that other construction projects, although significantly smaller in scale, are currently being undertaken, including the construction of the new office facility at ECA, the design stage of the renovation of Africa Hall and the new facility for the International Residual Mechanism for Criminal Tribunals, Arusha Branch.

27. Table 2 below presents the ongoing major capital expenditure projects as well as the other construction activity currently under way and/or under consideration by the General Assembly.

Table 2

Sequencing of major capital expenditure projects and other construction work: projected timeline, 2013-2027



28. Early indications of potential future capital projects are becoming apparent as a result of the completion of phase 1 and the preliminary analysis being undertaken in phase 2. Projects are being identified to address health and safety concerns for staff and visitors, and to extend their useful building life expectancy. Early indicators have identified several projects where remedial action would benefit the Organization and its long-term management of owned properties. These include the ESCAP secretariat tower, where fire safety, seismic, window replacement and space usage efficiency will need to be addressed. At ECA, the old office building and expansion office building have already revealed significant challenges in terms of fire safety standards, infrastructure and space efficiency. At the United Nations Office at Nairobi, the so-called old blocks, which were originally built as temporary buildings more than 30 years ago, are in need of either replacement or renovation.

B. Project prioritization

29. A preliminary prioritization methodology has been developed using evaluation criteria to identify proposed major maintenance, alterations and new construction projects that may be required over the next 20 years at each office away from Headquarters. The methodology gives utmost consideration to projects that require compliance with local and international regulations associated with health and safety, security, accessibility, energy efficiency and space utilization efficiency goals, and seeks to use resources effectively for projects which are prioritized as requiring urgent, medium-term and long-term action in line with the organizational objectives.

30. The methodology has been developed to include three main steps:

- Project identification
- Project scoring
- Recommendation of priority level

31. The recommended prioritization level will be determined by a technical committee.

32. Standardized procedures for capturing data and for project planning have been established to support the project prioritization methodology so that prospective projects may be compared and evaluated on a consistent basis. The standard procedures allow for projects to be classified according to expenditure type, project type (for example, space management, standards compliance, major maintenance) and work discipline (such as civil works, enclosures, finishes, conveying systems, HVAC, fire protection and electrical systems).

33. The established standard procedures also include a cost-benefit analysis.

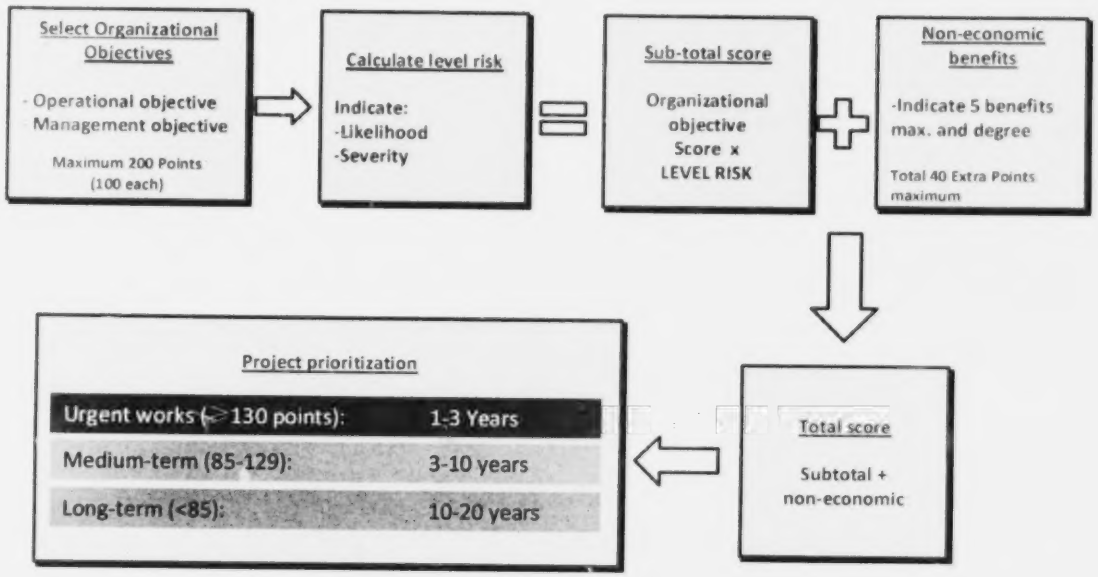
34. A set of common criteria has been developed for the project scoring (evaluation) in order to ensure that the same methodology is used for all projects identified at each office. First, the project is rated to meet the organizational objectives. This is followed by a risk analysis to quantify the potential impact of risk through the likelihood of occurrence and the severity of the consequences. The final result of the priority criteria will be based on the sum of the score for organizational objectives, a reduction owing to the risk level and extra points for any non-economic benefits. The maximum score will be 200 points based on the organizational objectives and 240 points after adding any extra points.

35. The priority level of the project is determined by the maximum score, and will be directly related to the implementation programme as follows:

- Urgent works (>130 points): 1 to 3 years
- Medium-term actions (85-129 points): 3 to 10 years
- Long-term actions (<85 points): 10 to 20 years

36. The project prioritization process is shown in the schematic overview presented in figure I below.

Figure I
Project prioritization process



C. Historical maintenance and industry norms

37. The Office of Central Support Services has examined alternative industry standard funding mechanisms that would best support a long-term maintenance programme for all United Nations Secretariat facilities. This was also an effort that supported project sequencing and prioritization, to avoid the occurrence of having multiple large projects within the same budget period.

38. The outcome of phase I revealed that capital investment to date has been reactive and therefore irregular. According to industry standards and best practices, 2-3 per cent of a property's value should be used as a starting point for "annualized" maintenance budgets to be invested in maintaining facilities.

39. If the approved resources under the programme budget, "major maintenance, alterations and improvements" are solely considered, it can be seen that regular budget provisions are less than 1 per cent. Moreover, it should be noted that "major maintenance, alterations and improvements" has evolved to include other types of expenditure that are capitalized, such as security enhancements and information technology. It is appropriate to classify these activities as capital expenditure, but they do not necessarily increase property value or, more importantly, extend useful life or significantly increase the serviceability of a property.

40. As previously reported by the Secretary-General in his report on facilities management (A/54/628 (para. 24)), a nominal figure of a low of 2 per cent, a 3 per cent median and a high of up to 4 per cent would be comparable to industry standards. During the year in which the report was issued, capital funding levels were at roughly 0.88 per cent of property value, which was below the industry

standard for the low-end figure of 2 per cent per year. In its report (A/55/7 and Add.1-10), the Advisory Committee on Administrative and Budgetary Questions noted that the current effective level for major maintenance expenditures at United Nations-owned buildings is well below the minimum recommended industry standards.

41. Table 3 below sets out an indicative comparison of the overall value of the United Nations properties to the resources approved under the programme budget for the biennium 2012-2013 and the biennium 2014-2015 in respect of major maintenance, alterations and improvements.

Table 3
Maintenance reinvestment rate for the period 2012 to 2015
(Thousands of United States dollars)

Duty station	*Property values (2012-2013)*[a]	*2012-2013 appropriation*	*Maintenance reinvestment rate (annual)*	*Property values (2014-2015)*[b]	*2014-2015 estimate*	*Maintenance reinvestment rate (annual)*
United Nations Headquarters	1 399 311.48	17 622.10	0.6	1 326 029.34	17 667.80	0.7
United Nations Office at Geneva	1 191 306.02	19 839.00	0.8	1 191 306.02	15 218.60	0.6
United Nations Office at Vienna	93 016.39	3 717.10	2.0	93 016.39	3 438.20	1.8
United Nations Office at Nairobi	106 857.85	6 363.20	3.0	61 846.08	6 734.60	5.4
ESCAP	117 962.70	3 638.90	1.5	111 361.38	2 836.00	1.3
ECLAC	136 600.00	2 484.40	0.9	15 830.67	2 535.50	8.0
ECA	237 811.56	4 102.20	0.9	84 800.46	4 936.10	2.9
Total	**3 282 866.00**	**57 766.90**	**0.9**	**2 884 190.34**	**53 366.80**	**0.9**

[a] Property values for the biennium 2012-2013 are insurance values as reported in A/66/6 (Sect. 34).
[b] Property values for the biennium 2014-2015 are depreciated replacement costs from the offices away from Headquarters valuation exercises in 2013-2014.

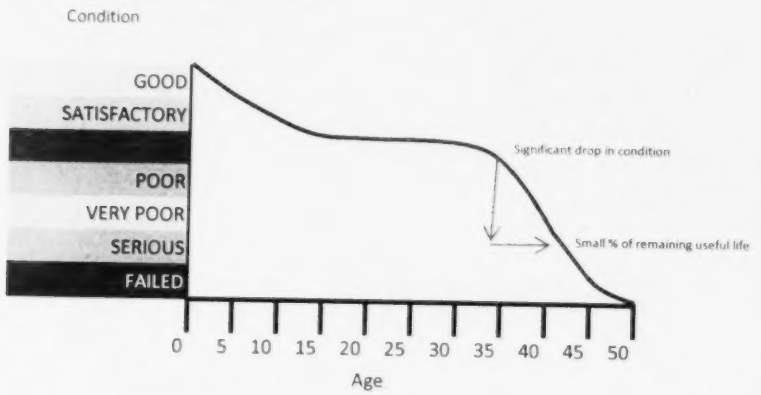
42. As shown above, the approved programme budget resources for major maintenance, alterations and improvements are consistently below what would be considered industry standards in recent years. The low levels of maintenance activity over time have led to the accumulation of deferred or postponed maintenance work, resulting in the deterioration of buildings, the requirement for emergency repairs and the need for periodic large-scale construction projects. Taking into consideration the administrative processes required to enter into design and construction contracts, the time frame to address reactive repairs is often longer than desired, leading to deteriorating conditions. In extreme cases, where required capital improvements have been deferred over time, large-scale projects then often take multiple years to complete, exposing the organization to greater risk than would otherwise have been necessary had the required work been undertaken in a phased, planned manner.

43. In future, using Umoja, facilities managers will be able to record automatically the lifecycle replacement schedules of major building components, and preventative/operational maintenance schedules of building components. They include roofs, electro-mechanical systems and interior construction. This automation tool will

significantly reduce the likelihood of long-term neglect of these activities, thereby increasing overall building performance and maintaining property value.

44. The impact of deferred maintenance is illustrated in figure II below. If maintenance is deferred over time, the effect of investment is diminished once the building condition deteriorates too far. In some cases, repair is not technically feasible or cost effective, resulting in the requirement for a major renovation.

Figure II
Impact of deferred maintenance

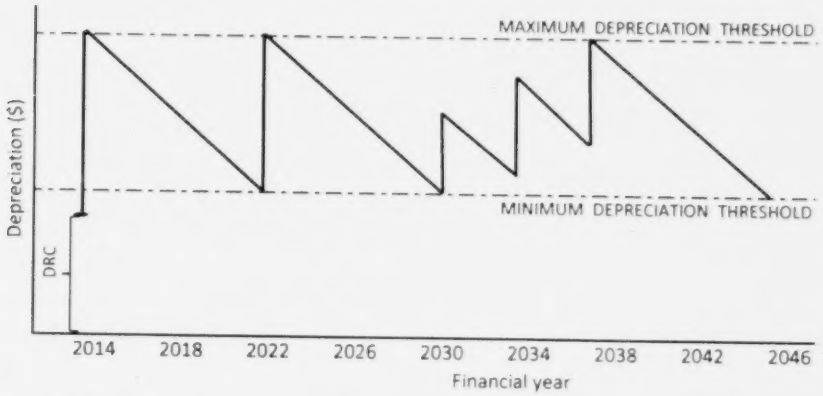


45. One of the recommendations emanating from phase 1 of the review is to establish a target minimum depreciation threshold for buildings owned and operated by the Organization, so as to avoid deterioration beyond the point where major capital expenditures for complete renovations are required. This level of reinvestment is proposed based on industry standards and best practices of facilities management taking into consideration the needs of the Organization. Renovated assets under construction are recorded separately in the balance sheets, and only capitalized to the underlying asset when taken into service.

46. The proposed target minimum to be maintained is 25 years of a building's remaining useful life. This means that for a building over 25 years old and with an assumed total useful life expectancy of 50 years, there should be enough capital invested and improvements performed over time to increase its property value and extend its remaining useful life to 25 years, without undertaking a major capital project to do so. A graphic illustration of this is shown in figure III below.

Figure III

Capital investment: for keeping buildings within prescribed remaining useful lives



47. The strategic capital review proposes firstly to accurately predict and estimate capital requirements, and once this is established, to present possible funding alternatives for consideration by Member States. The aim would be to identify mechanisms that better reflect the multi-year nature of capital projects, and serve to minimize or dampen fluctuations in capital expenditures levels that are experienced in a reactive approach. The review would also seek to reduce costs, though efficiency measures such as reductions in energy consumption, and in the reduction of overall space required through the more efficient use of existing space, which should reduce overall costs to Member States.

48. One option to be examined further, in due course, would be the creation of a separate, multi-year capital reserve fund, separate from the biennial programme budget resources approved under major maintenance, alterations and improvements. Such a capital reserve fund would cover only capital investment in fixed assets and would not be used for routine maintenance operations or expansion plans. Such a fund could be created from multiple sources, including voluntary contributions, miscellaneous income and rental income.

49. It is noted that the establishment of a capital fund was recommended by the Joint Inspection Unit in its report number 2001/1 on the management of buildings, based on a review of industry best practices.

V. Project planning and lessons learned

50. In parallel to the development of the strategic capital review, and in preparation for the projects that may be funded and prioritized as a result thereof, and as part of an ongoing effort to link practical project management procedures with organizational best practices, the Office of Central Support Services has begun to develop guidelines for management of projects, specifically for major construction projects at offices away from Headquarters.

51. Although the guidelines are currently at a formative stage, they take into consideration resolution 64/243, in which the General Assembly requested the Secretary-General to ensure that its relevant resolutions are strictly followed,

especially the ones on procurement when developing comprehensive administrative and technical procedures, and management and construction project guidelines for the implementation of future construction and major maintenance projects, and to draw upon the relevant lessons learned through the planning and implementation of the capital master plan.

52. The guidelines will enable offices of the United Nations Secretariat to manage major construction projects more effectively and will provide a holistic approach guiding action in the various areas of project management within the context of United Nations organizational processes, and are being structured to follow the project phases of a major construction project, while highlighting the relevant organizational processes in each phase, including in the areas of procurement, administration and legislation.

53. The lessons learned from recent major capital projects undertaken by the Organization, in particular the capital master plan, are being highlighted in the guidelines and will be taken into consideration when planning major capital investment projects in the future. These include, but are not limited to, the following:

(a) There is a need to establish adequate project management at the beginning of a major capital project, inclusive of senior level leadership and a disciplined and formal governance structure;

(b) The project scope must be defined and agreed by all stakeholders at the onset, and scope and budget containment and tracking procedures incorporated early on, to assure a project is delivered on schedule and within budget;

(c) A holistic budgeting process must be undertaken to include all project costs;

(d) A clear procurement strategy should be part of the initial project planning stage, using an appropriate model that minimizes project risk while ensuring cost and delivery;

(e) An effective change management procedure and control needs to be effected prior to the start of project construction, as change during construction poses risks to both the schedule and budget;

(f) Project risks must be periodically assessed, risk mitigation incorporated, and adequate budget and non-budgetary contingencies provided to cater for unforeseen situations.

54. The ongoing overall role of the Office of Central Support Services in relation to project management and facilities management is to coordinate and provide technical guidance, advice and support to the overseas duty stations or offices away from Headquarters. Ownership and primary management responsibilities, however, must continue to be assumed by the local office where the major capital project is being undertaken.

VI. Governance and long-term property management

55. The overall responsible office for the strategic capital review and for ongoing development of capital budgets is the Office of Central Support Services, in the Department of Management. Management of the implementation of capital projects

will continue to be undertaken within the delegated administrative authority of offices away from Headquarters.

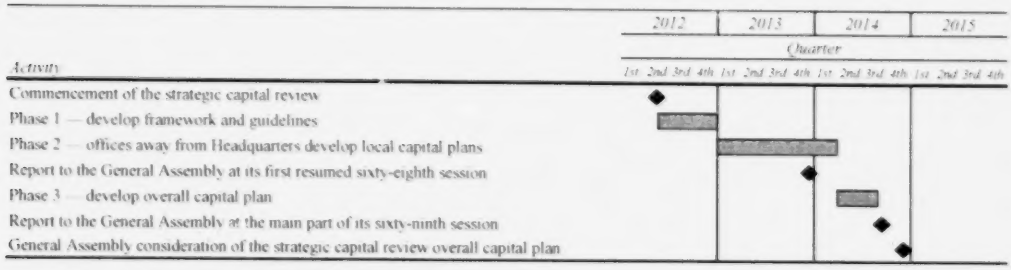
56. The governance structure for the final phases of the strategic capital review should provide high-level guidance to ensure that all key objectives, findings and conclusions are duly validated by senior management of the Organization. In line with the recent practice on major capital projects, a steering committee is envisioned to guide the strategic capital review and to establish the prioritization of projects. This committee is to include senior management representatives from Headquarters and offices away from Headquarters. The steering committee will include not only members directly related to construction, but also operational partners and end users who are able to guide capital requirements by defining broader organizational objectives (such as security, information technology and conference services) as they arise, which may have an effect on capital investment requirements.

57. From the long-term perspective, it is apparent that there is a need for dedicated resources within the Organization to conduct and maintain a long-term capital planning programme to ensure that this process does not become stagnated. To this end, it will be important to establish on-call consultancy services and internal resources to support the facilities management service in performing periodic updates and to effectively budget for projects. Umoja will bring administrative advantages for the Organization once a global real estate database is established as a common standard of facilities information and management at each office or duty station. However, it is also important to recognize that reporting requirements under IPSAS for assets are significant, and hence the demands on asset record-keeping, accounting and management activities are increased. The interaction of these different factors will be important when considering property management in the long term.

VII. Next steps and timelines

58. The schedule set out in figure IV below indicates the timeline for the finalization of the data collection process, analysis of the data and final report on the overall findings of the strategic capital review.

Figure IV
Schedule for the strategic capital review


2012
2013
2014
2015
Quarter
Activity
1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th
Commencement of the strategic capital review
Phase 1 — develop framework and guidelines
Phase 2 — offices away from Headquarters develop local capital plans
Report to the General Assembly at its first resumed sixty-eighth session
Phase 3 — develop overall capital plan
Report to the General Assembly at the main part of its sixty-ninth session
General Assembly consideration of the strategic capital review overall capital plan

59. As noted previously, the strategic capital review is intended to be a rolling programme, updated continuously. It will be recalled that the strategic capital review was in its early stages at the time of the preparation of the proposed

programme budget for the biennium 2014-2015, and hence the results of phase 1 were partially factored into the planning process, for example, by standardizing formats and ensuring that proposed projects adhere to common organizational objectives.

60. As illustrated above, the strategic capital review should be completed in time for submission to the General Assembly at its sixty-ninth session. Any subsequent directions from Member States thereon, would be addressed accordingly in the course of the established budgetary process.

61. More specifically, the next steps for the strategic capital review include:

(a) Finalizing the data-collection process, the data analysis and consultancy reports by offices away from Headquarters;

(b) Completing phases 2 and 3 of the strategic capital review outlined in the project schedule included in the present report;

(c) Establishing the steering committee for phase 3 of the review;

(d) Finalizing the project guidelines and lessons learned to be used for future major capital project initiatives.

62. The Secretary-General intends to report to the General Assembly at its sixty-ninth session on the final outcome of the strategic capital review.

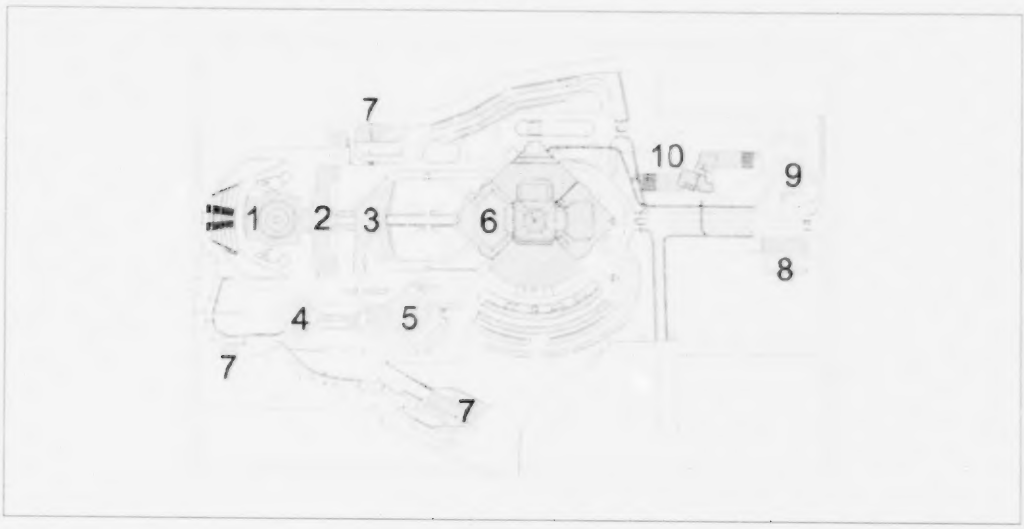
VIII. Action to be taken by the General Assembly

63. **The General Assembly is requested to take note of the present report.**

Annex

Overview of the real estate portfolio of the United Nations Secretariat

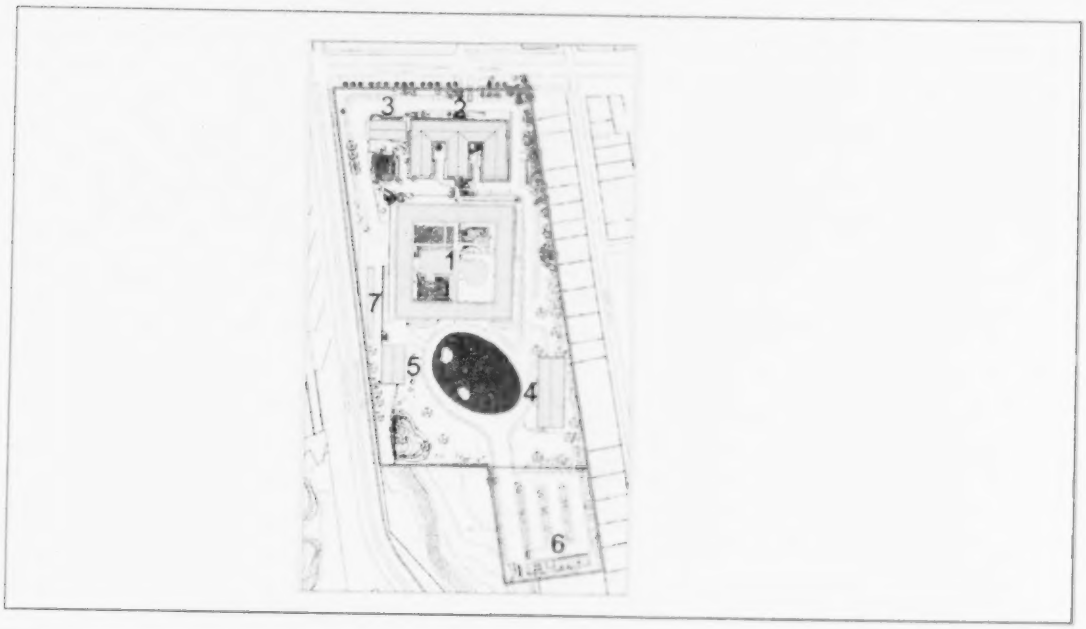
I. Economic Commission for Africa



Building	*Value (United States dollar) (depreciated replacement cost)*[a]	*Gross area (square metres)*	*Year constructed*	*Age (years)*	*Year refurbished*	*Remaining useful life*
1 Africa Hall building	2 238 679	6 576	1961	52	To be determined	7
2 Old office building	3 108 158	10 612	1961	52	To be determined	7
3 Extension office building	12 293 307	20 655	1976	37	To be determined	13
4 Cafeteria building	1 501 593	5 270	1976	37	To be determined	13
5 Library building	1 651 243	5 664	1976	37	To be determined	13
6 United Nations Conference Centre	61 871 957	42 184	1996	17	To be determined	33
7 Auxiliary buildings and pavilions, Green House and Generator House	940 044	7 603	1996-2004	9-17	To be determined	33
8 Delegates registration building	224 209	714	2005	8	To be determined	33
9 Mail registry building	225 913	720	2007	6	To be determined	33
10 New office building	To be determined	To be determined	2013	0	To be determined	50
Supplementary buildings around the United Nations Conference Centre	745 356	3 087				
Total	**84 800 459**	**116 946**	Not available	Not available	Not available	Not available

[a] Information on values, gross areas, years constructed and ages is contained in the January 2014 ECA valuation for IPSAS opening statements of financial position.

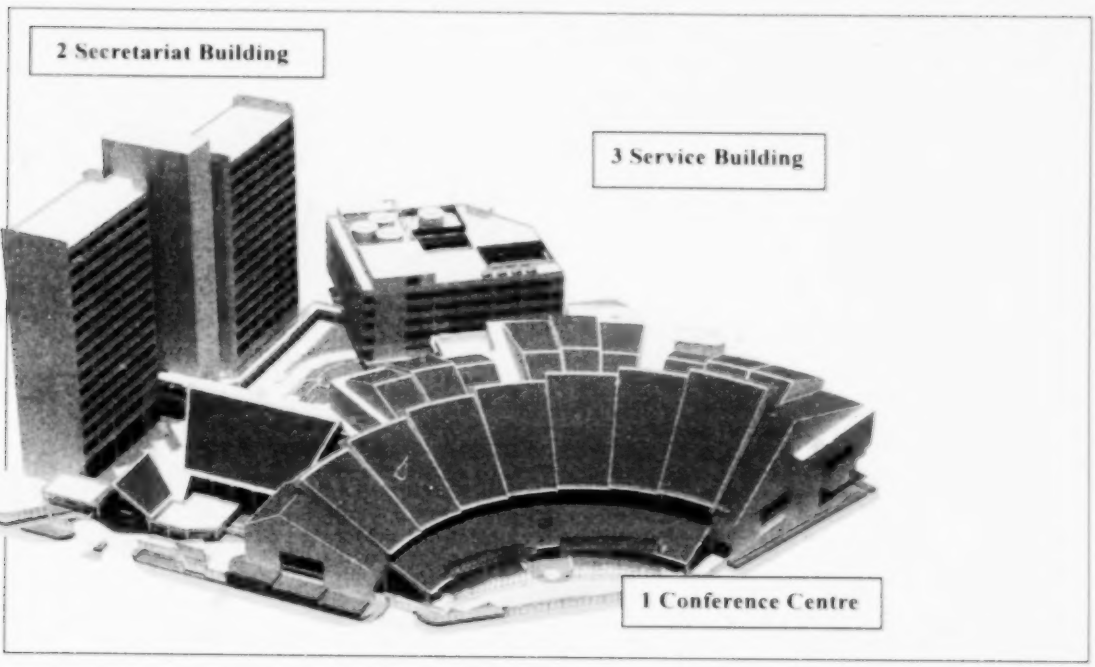
II. Economic Commission for Latin America and the Caribbean



Building		*Value (United States dollar) (depreciated replacement cost, 2013)*[a]	*Gross area (square metres)*	*Year constructed*	*Age (years)*	*Year refurbished*	*Remaining useful life*
1	Economic Commission for Latin America and the Caribbean building	8 902 652	14 650	1966	47	2013	25
2	North building	2 168 534	2 668	1989	24	Not available	25
3	Printing building	809 036	970	1989	24	Not available	25
4	Centre of Economic and Social Documentation building	719 344	1 486	1975	38	Not available	25
5	Auditorium (gym) building	136 950	644	1983	30	Not available	25
6	Security building	843 096	499	2007	6	Not available	25
7	Ancillary building	196 217	258	1992	21	Not available	25
8	Cafeteria building	1 144 486	687	2013	–	Not available	40
9	Parking garage	910 352	3 553	2004	9	Not available	40
	Total	**15 830 667**	**25 415**	Not available	Not available	Not available	Not available

[a] Information on values, gross areas, years constructed and ages is contained in the 2013 ECLAC valuation for IPSAS opening statements of financial position.

III. Economic and Social Commission for Asia and the Pacific

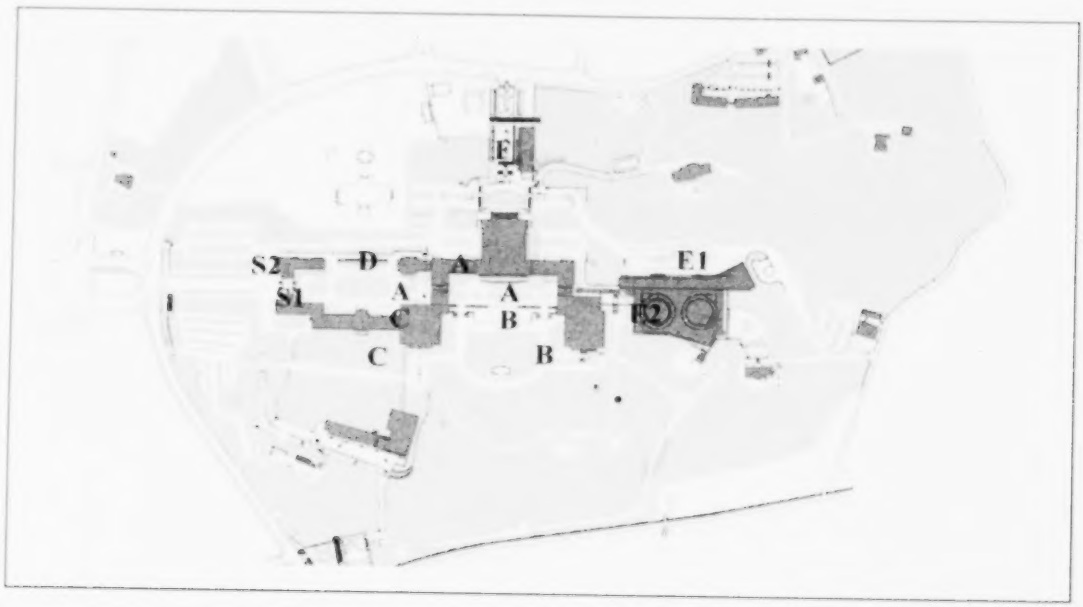


Building		*Value (United States dollar) (depreciated replacement cost, 2013)*[a]	*Gross area (square metres)*[b]	*Year constructed*	*Age (years)*	*Year refurbished*	*Remaining useful life*
1	Conference Centre	72 515 511	50 730	1993	20	Not available	30
2	Secretariat Building	25 049 926	29 532	1975	38	Not available	20
3	Service Building	13 795 941	19 727	1975	38	Not available	20
	Total	**111 361 378**	**99 989**	Not available	Not available	Not available	Not available

[a] United Nations Treasury operational exchange rate of 32.88 (December 2013) used to convert values from baht to United States dollars.

[b] Information on values, gross areas, years constructed and ages is contained in the 2013 ESCAP valuation for IPSAS opening statements of financial position.

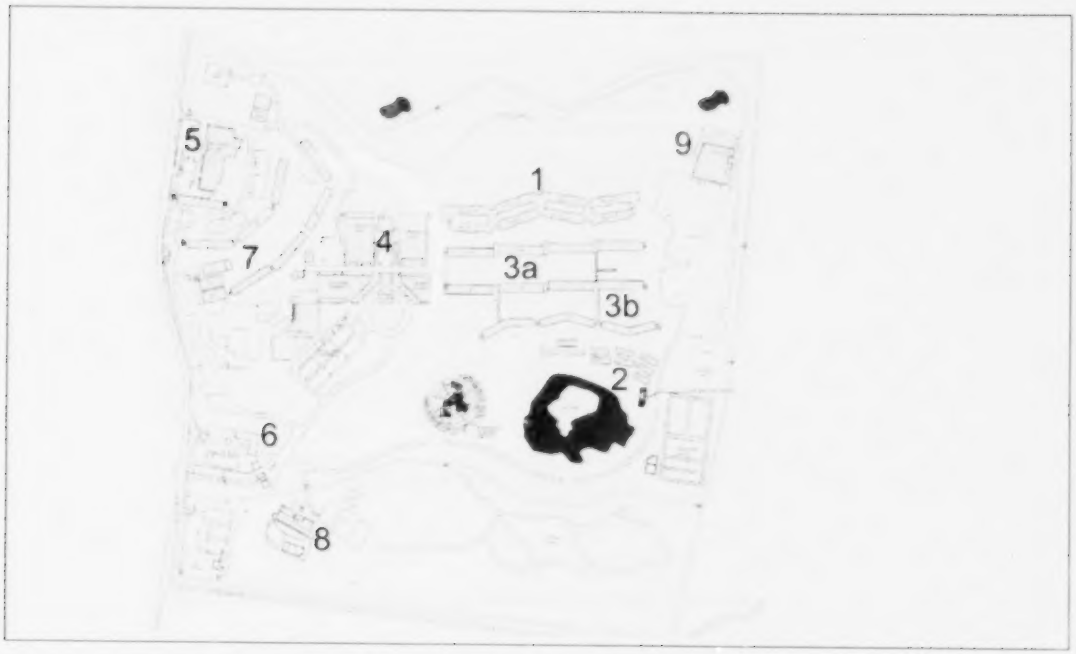
IV. United Nations Office at Geneva



Building	*Value (United States dollars) (insurance)*[a]	*Gross area (square metres)*[b]	*Year constructed*	*Age (years)*	*Year refurbished*	*Remaining useful life*
A Assembly building	160 493 841	45 772	1937	76	To be determined	To be determined
B Library building	91 316 825	14 934	1937	76	To be determined	To be determined
C Council building	74 081 905	14 393	1937	76	To be determined	To be determined
AB Building	28 694 730	To be determined	1937	76	To be determined	To be determined
AC Building	53 456 508	To be determined	1937	76	To be determined	To be determined
S1 Secretariat building	92 401 778	21 617	1937	76	To be determined	To be determined
S2 Secretariat building		To be determined	1937	76	To be determined	To be determined
D Building	18 647 619	4 671	1950	63	To be determined	To be determined
E1 Building	291 196 698	45 240	1974	39	To be determined	To be determined
E2 Building		33 058	1974	39	To be determined	To be determined
F Pregny gate	12 561 690	1 383	2006	7	To be determined	To be determined
Post Office building	5 629 321	1 557	2008	5	To be determined	To be determined
Underground parking (in E1-E2 buildings)	To be determined	To be determined	1974	39	To be determined	To be determined
Infrastructure and other out-buildings	362 465 104	To be determined	Various	To be determined	To be determined	To be determined
Total	**1 191 306 019**	**182 625**	Not available	Not available	Not available	Not available

[a] Information on values is contained in the draft IPSAS financial statement spreadsheet of April 2013.
[b] Information on gross areas, years constructed and ages is from the strategic heritage plan comprehensive report of May 2013.

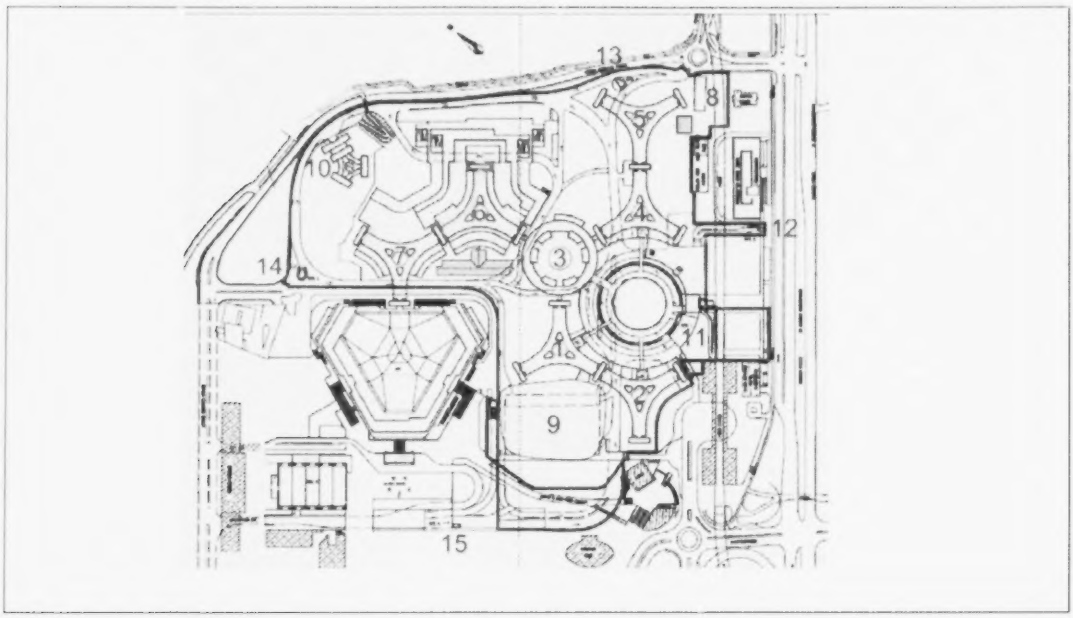
V. United Nations Office at Nairobi



Building		*Value (United States dollar) depreciated replacement cost)**	*Gross area (square metres)*	*Year constructed*	*Age (years)*	*Year refurbished*	*Remaining useful life*
1	New office building	23 425 510	25 360	2009-2010	4-5	Not available	30
2	Prefabricated office building	1 297 536	3 672	2009-2010	4-5	Not available	20
3a	Office blocks M, N, P, R, S, T	4 924 748	13 928	1983-1985	28-30	2005-2012	10
3b	Office blocks Q, U, V, W, X	6 929 800	13 047	1992	21		10-15
4	Central areas, Library, Conference Centre and Documents Publishing Building	12 657 868	30 934	1983-1985	28-30	2008-2009 and 2012	5-20
5	Central Materials Management Facility	1 860 475	2 815	2007-2009	4-6	Not available	25
6	Security (Gate Houses and Visitors' Pavilion)	1 367 225	953	2001-2005	8-12	Not available	25
7	Office blocks A-J	4 400 438	12 137	1975	38	2005-2012	5
8	Recreation Centre	2 310 005	2 674	2005	8	Not available	25
9	Multi-storey car park building	2 672 479	6 925	2011	2	Not available	35
	Total	**61 846 084**	**112 445**	Not available	Not available	Not available	Not available

* Information on values, gross areas, years constructed and ages is contained in the 2014 United Nations Office at Nairobi valuation for IPSAS opening statements of financial position.

VI. United Nations Office at Vienna



Building		*Value[a] (United States dollar) (depreciated replacement cost, 6 2011)[b]*	*Gross area (square metres)*	*Year constructed*	*Age (years)*	*Year refurbished*	*Remaining useful life*
1	Building A	66 249 669	67 489 45	1979	34	2008[c]	To be determined
2	Building B	23 358 365	28 915 55	1979	34	2008[c]	To be determined
3	Building C (Conference Centre)	4 929 432	48 282 87	1979	34	2013[c]	To be determined
4	Building D	59 926 365	54 413 36	1979	34	2008[c]	To be determined
5	Building E	30 021 731	37 970 85	1979	34	2008[c]	To be determined
6	Building F	86 136 627	74 478 73	1979	34	2009[c]	To be determined
7	Building G	49 567 369	32 578 70	1979	34	2009[c]	To be determined
8	Building J	To be determined	819 12	1979	34	2009	To be determined
9	Building M (Conference Centre)	68 106 903	30 135 30	2009	4		To be determined
10	Building K (Child Care Centre)	1 718 583	1 455 68	2001	12		To be determined
11	Gate 1	2 172 929	686 06	1979	34	2011	To be determined
12	Gate 2	1 240	19 16	1979	34	2009	To be determined
13	Gate 3	4	63 68	1979	34	2010	To be determined
14	Gate 4	4 503	59 22	1979	34	2010	To be determined

Building	*Value[a] (United States dollar) (depreciated replacement cost, 6 2011)[b]*	*Gross area (square metres)*	*Year constructed*	*Age (years)*	*Year refurbished*	*Remaining useful life*
15 Gate 5	2 908	44 93	1979	34	2010	To be determined
P1+P2	4 274 228	1 800 00	1979	34		To be determined
Infrastructure and other out-buildings	11 495 756	To be determined	Various	To be determined	To be determined	To be determined
Total compound	**407 966 610**	**379 212.66**	Not available	Not available	Not available	Not available

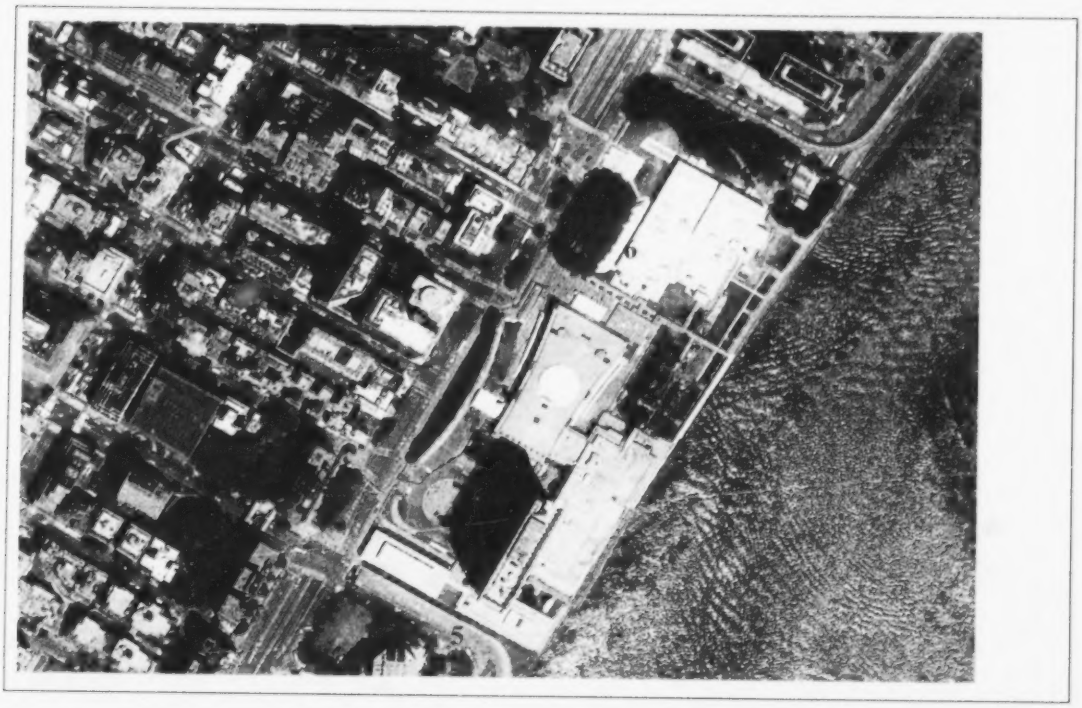
Note: As stated in A/68/6 (Sect. 33), alterations and improvements at Vienna are governed by the agreement between four Vienna International Centre-based organizations. The United Nations Office at Vienna contributions are based on its current ratio of 22.670 per cent. For the purposes of the present report the direct United Nations Office at Vienna value is considered to be $92,486,030, which is the corresponding 22.8 per cent of the Vienna International Centre value ($407,966,610 €311,686,485).

[a] Information on values, gross areas, years constructed and ages is contained in the 2011 Vienna International Centre valuation for the International Atomic Energy Agency (not for UN-IPSAS opening statements of financial position, but IPSAS compliant).

[b] United Nations Treasury operational exchange rate of 0.764 (November 2013) used to convert values from euro to United States dollars.

[c] Asbestos removal project.

VII. United Nations Headquarters



Building		*Value (United States dollar) (depreciated replacement cost)*[a]	*Gross area (square metres)*	*Year constructed*	*Age (years)*	*Year refurbished*	*Remaining useful life*
1	Secretariat Building	505 009 357	83 583	1950	63	2013	50
2	Conference Building	248 425 614	41 085	1950	63	To be determined	50
3	General Assembly Building	119 034 104	To be determined	1952	61	To be determined	17
4	Dag Hammarskjold Library	11 585 311	11 014	1980	33	To be determined	To be determined
5	South Annex building	3 996 675	3 650	1980	33	To be determined	17
6	North Lawn temporary building (swing space)	104 107 864	24 652	2009	4	To be determined	46
7	UNITAR Building	6 182 515	5 143	1946	67	To be determined	25
8	Sutton Place (Secretary-General's residence)	10 625 464	1 304	1946	67	To be determined	37
9	Underground parking (basement levels)	317 062 438	162 085	1948	65	To be determined	37
	Total	**1 326 029 342**	**332 516**	Not available	Not available	Not available	Not available

[a] Information on values, gross areas, years constructed and ages is contained in the draft IPSAS Vol. I financial statement valuations of December 2013.

Glossary

The following provides definitions of the terminology used throughout the documentation development and establishment of the strategic capital review:

(a) Operational/preventative maintenance: regularly scheduled maintenance required to enable a building system or component to function throughout its normal anticipated useful life. These are operational not capital expenses. Examples include changing air filters on HVAC systems and changing light bulbs;

(b) Major maintenance: replacement of some or all of a particular building system or a major piece of building equipment which would serve to substantially extend the anticipated useful life and enhance the serviceability and functionality of a major building system and component. These are a capital expense. Examples include changing motors on HVAC air handlers or pumps, and replacing light fixtures;

(c) Alterations and improvements: renovation of an entire building or part of a building as a result of scheduled lifecycle replacement or the introduction of a new requirement. These are a capital expense. Examples include interior renovation of an office space owing to move-in of a new tenant, and renovation of a lobby space;

(d) New construction: construction of a new building, as a result of a new requirement such as increase in staffing levels or establishment of a new function. The Secretary-General does not foresee the need for new construction in the near term for the Organization except possibly in New York other than replacement of existing buildings;

(e) Major renovation: total rehabilitation of an existing building often because of underinvestment in capital improvements over time;

(f) Construction in progress accounts: accounts set up to handle multi-year restoration and new construction projects;

(g) Building components: owing to the complex nature of building construction, and the size of a building in terms of both area and value building components are used to describe various parts that comprise the building which have different useful lives because of their construction type and use. They include exterior roofing interior and services;

(h) Standard useful life: expected life of a building or building component based on normal use assuming standard operational maintenance is performed;

(i) Remaining useful life: expected remaining life of a building or building component based on the age and condition of the building or component; remaining useful life can be extended as a result of capital improvements.